

Message Text

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ACTION IO-14

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TAGS: EFIN, AORG, UN

SUBJECT: UN FINANCES - WORKING GROUP ON CURRENCY INSTABILITY

REF: USUN 953, 967 & 1078

SUMMARY: WORKING GROUP CONTINUED DISCUSSION ON QTE PREVENTIVE MEASURES UNQTE AND ON QTE UNITS OF ACCOUNT. UNQTE FRG REP SUGGESTED HYPOTHETICAL CALCULATION TO ILLUSTRATE WORKING OF UNIT OF ACCOUNT. WORKING GROUP WILL CONSIDER FORWARD EXCHANGE OPERATIONS TOMORROW PRECEDED WITH PRESENTATION BY ZIEHL OF SECRETARIAT ON OPERATIONS OF FORWARD MARKET. END SUMMARY

1. WORKING GROUP AGREED TO HOLD NEXT SESSION OF MEETINGS FROM APRIL 22 TO APRIL 29 AND SECRETARIAT UNDERTOOK TO MAKE FACILITIES AVAILABLE FOR AT LEAST THREE AND PREFERABLY FIVE MEETINGS. IF NECESSARY MEETINGS COULD BE STRETCHED INTO FOLLOWING WEEK.

2. BULGARIAN REP PETROV HOPED THAT WG COULD STUDY FURTHER WORKING OF QTE GOLD DOLLAR UNQTE AND SUGGESTED EXAMINATION OF OPERATIONS OF SO-CALLED QTE GOLD RUBLE UNQTE. HE THOUGHT THAT IF NECESSARY WG REPORT COULD RECOMMEND ADDED STUDY BY GROUP OF EXPERTS. HE ALSO HOPED THAT FORWARD MARKET OPERATIONS

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COULD BE EXPLORED. DERRE (FRANCE) AND SCHMIDT (FRG)

CRITICIZED SUGGESTION THAT FURTHER STUDY OF RELATIONSHIP BETWEEN GOLD AND DOLLAR WOULD BE USEFUL. MME. DERRE NOTED THAT WHILE IT MIGHT BE QTE FASHIONABLE UNQTE TO STUDY SUBJECT FURTHER, WG SHOULD TRY TO BE SENSIBLE; NO MAJOR CURRENCY HAD REALISTIC GOLD VALUE.

3. ACTING CHAIRMAN SCHMIT THEN PROPOSED SAMPLE CALCULATION WITH UNIT OF ACCOUNT BASED ON CURRENCIES OF FIVE CONTRIBUTORS AND TWO CURRENCIES OF EXPENDITURE; THIS CALCULATION WOULD ILLUSTRATE CONSEQUENCES OF DIFFERENT MOVEMENTS AND WHAT IS MEANT BY STABILITY. DERRE, MWANGI (KENYA) AND KELLER (US) CRITICIZED FURTHER STUDY OF UNITS OF ACCOUNT; ZIEHL ASKED FRG REP FOR WRITTEN PROPOSAL SINCE HE THOUGHT TOO MANY VARIABLES WERE INVOLVED IN CALCULATION.

4. SOVIET REP (PALAMARCHUK) SUGGESTED THAT WG PUT ASIDE CONSIDERATIONS OF SDRS BUT HE THOUGHT THAT DETAILED STUDY SHOULD BE MADE OF IMPACT OF UNIT OF ACCOUNT ON UN SYSTEM INCLUDING EXAMINATION OF EXPERIENCE OF EEC, LEAGUE OF NATIONS, ETC. HE ALSO SUPPORTED FRG PROPOSAL FOR QTE STUDY BY SECRETARIAT. UNQTE

5. US (KELLER) SUPPORTED OFFER BY ZIEHL TO MAKE PRESENTATION ON FORWARD CURRENCY OPERATIONS. IN SPEAKING OF BULGARIAN PROPOSAL RE USE OF GOLD AS UNIT OF ACCOUNT, HE POINTED OUT THAT USE OF GOLD WOULD NOT GUARANTEE UN FREEDOM FROM DEFICITS NOR WOULD MEMBER STATES BE FREE FROM FLUCTUATIONS IN CURRENCY VALUE OF CONTRIBUTIONS. FURTHERMORE, HE NOTED THAT CURRENT TREND WAS AWAY FROM GOLD AS UNIT OF ACCOUNT, MAKING ITS USE NOT FEASIBLE FOR FUTURE UN BUDGETING.

6. SCHMIDT AGREED TO PRESENT WRITTEN PROPOSAL FOR CALCULATIONS OF SAMPLE SYSTEM USING FIXED EXCHANGE RATES. HE CONTRADICTED CHAIRMAN JAIN RESUME THAT FURTHER STUDY MIGHT BE REQUIRED AND ARGUED THAT PURPOSE OF CALCULATIONS WOULD BE SHOW THAT DISADVANTAGES OF UNIT OF ACCOUNT FAR OUTWEIGHTED UNCLASSIFIED

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ADVANTAGES.
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